He shared his false ideas with many of his advisers in his own and the S-D party. Had the latter not supported his policy, he might have abandoned it. Unfortunately, the economic policy of the S-D parliamentary group was directed by Hilferding, who had committed himself and his party to a definite program and loathed the idea of reversing it under pressure by the unions.

Such was the state of affairs in Germany in July, 1931, when Emma and I went on a summer vacation. This time we were hiking in the southern Tyrol and the Italian Alps. From this wonderland of rocks and canyons we went to Venice and finally landed on Capri. There we spent ten days far from politics, without newspapers. While we enjoyed the blissful leisure, important events were taking place of which we learned when we returned to the mainland.

After checking our luggage at the railroad station, we went to the nearest bank to exchange our German marks for lire. A crowd was gathered in front of the bank. People were talking, shouting, gesticulating. The hall of the bank was packed. The bank officials were sitting at their desks but were not transacting business. I asked one of them what was going on. "Oh, signore," he replied, "the sky fell on the earth!"

"This is bad news," I agreed, "but I would like to buy some lire."

"Oh, signore, there is no exchange today. The Bank of England has collapsed. The British have slashed their pound!"

I was elated rather than alarmed. I believed that the British had done the proper thing by launching an anti-deflationary policy, and that their move would have a salutary effect on the world economy.

In this mood I returned to Berlin. That afternoon the ADGB board met to hear Hilferding on the British devaluation. He characterized the decision of the Bank of England as insanity. London had abdicated its role as the economic center of the world. It would need half a century to recover. Other countries should disengage themselves from the British mess and build up the world economy without Great Britain. Germany's main task continued to be to protect its currency.

I asked Hilferding, "How will the devaluation of the pound affect unemployment in England?"

"Unemployment will increase," he replied without hesitation.

"How soon will the increase begin?"

"In a few days . . . or perhaps a month. Certainly very soon."

Then I said to Leipart, "For a year the board has been torn between two lines of economic thinking—that of Brüning and Hilferding and the one I have presented to you. Now you can test them. Hilferding has made his prediction. I shall venture mine: Great Britain has turned the corner. Her credit will be strengthened, other countries